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**ATLANTIC ACCEPTANCE CORPORATION LIMITED**  
**in Receivership**

**MONTREAL TRUST COMPANY,**  
**Receiver and Manager**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 1968**



File

**ATLANTIC ACCEPTANCE CORPORATION LIMITED**

**In Receivership**

**Report of  
MONTREAL TRUST COMPANY  
Receiver and Manager**



# ATLANTIC ACCEPTANCE CORPORATION LIMITED

## Report of the Receiver and Manager

The Receiver and Manager submits herewith the financial statements of Atlantic Acceptance Corporation Limited, in Receivership, as at December 31, 1968, together with the auditor's report thereon. These are in the form submitted in the previous year with the addition of comparative figures for 1967.

The Combined Statement of Deficiency in Net Assets, Exhibit 1, discloses the assets under the control of the Receiver and Manager. Short-term investments held at the year-end, representing funds available for distribution, amounted with accrued interest to \$81,005,892, an increase of almost \$15,000,000 during the year. The holding of 6% notes of General Acceptance Corporation were reduced to \$5,000,603 after payment of the instalment due on October 1, 1968. \$2,500,000 of these notes mature on October 1, 1969 and the balance a year later. These investments, combined with the cash balances in banks, total \$87,064,488 out of the \$104,492,802 estimated realizable value of assets under the control of the Receiver and Manager. The improvement of over \$7,000,000 from the previous year arises from interest earnings and from realizations in excess of earlier estimates.

The residual assets of the Receivership, which represent unliquidated receivables, appear as instalment notes and accounts receivable, \$847,471, and estimated amounts due in respect of the sale of former subsidiaries, \$5,416,515, both amounts substantially reduced by collections during the year. To a considerable extent, however, the latter amount represents cash held in the accounts of trustees in bankruptcy, pending settlement of litigation. Details are provided in a later section of this report.

Income taxes recoverable were, in large part, settled during the year through refunds received. Additional recoveries, beyond the amount shown, are still being sought. Investment in and advances to Lucayan Beach Hotel and Development Limited increased during the year through an advance to the hotel company to acquire the company which held the management contract under which the hotel had been operated from acquisition up to August 31, 1968. Details are provided in a separate section covering the operation of the hotel. Actual cash receipts from the hotel company, on account of interest, were in excess of the accrual in 1968.

The shares of Great Northern Capital Corporation Limited were disposed of during the year at a substantial profit over cost, the sale proceeds being in excess of \$2,000,000. The shares were acquired originally as a consideration for the sale of a subsidiary, Commodore Sales Acceptance Limited, to Great Northern Capital in a transaction which also reserved to the Receivership all of the recoveries in the liquidation of Commodore's then receivables. The profit on the sale is shown in Exhibit 2, the Combined Statement of Deficit, along with other adjustments to the value of net assets.

Exhibit 3, the Combined Statement of Loss, includes this year the detail of administrative expense formerly shown in a separate statement. Segregated as a separate item is the adjustment, designated as foreign exchange, for the decline in value of the U.S. dollar portion of the short-term investments. This is not, therefore, an administrative expense, but an adjusting figure only. It is more than offset by the adjustment downward, in the Combined Statement of Deficit, by \$604,367 of the outstanding debt payable in U.S. dollars. These figures swing from year to year and have been reversed, since the year-end, by the relative weakness of the Canadian dollar in the foreign exchange market.

The detail of administrative expense is similar to the comparative figures for the previous year. Virtually all of this expense, except for legal and audit, and printing and postage for financial statements and reports to noteholders, is incurred by G.A.C. in the collection of residual receivables and shared by the Receiver and Manager by agreement.



## Subsidiaries

The estimated further recoveries on instalment notes and accounts receivable of subsidiaries are as follows:

The Premier Finance Corporation Limited.....	\$ 60,000
Adelaide Acceptance Limited.....	699,600
Atlantic Acceptance (Toronto) Limited.....	41,741
Commodore Factors Limited.....	46,130
	<u>\$847,471</u>

Only Adelaide Acceptance still has a significant potential realization and the greater part of this is in cash held by the trustee in bankruptcy of Aurora Leasing Corporation Limited, pending outcome of the litigation referred to below regarding that company. Other balances are largely amounts to be received under settlement arrangements.

The amounts due in respect of the sale of former subsidiaries are detailed in Note 3. Of the \$4,887,697 estimated realization in the assets of Commodore Sales Acceptance, approximately one-half represents cash held by the trustee in bankruptcy of Aurora Leasing mentioned above. The estimated recovery on the Aurora Leasing indebtedness is based on the possibility of an unfavourable decision in the litigation pending in the Aurora Leasing bankruptcy to determine the validity of the assignment of book debts of Aurora held by Commodore. A court decision upholding that security would result in a larger recovery.

The estimated recovery of \$385,684 from Atlantic Finance Corporation Limited is based on 25% of residual receivables still held for collection in the offices of G.A.C. International. Average collection experience to date has been in excess of 50% after expenses. Also included is an amount for income taxes recoverable under the terms of the sale of this subsidiary to G.A.C. Additional recovery, amounting to a further possible recovery of approximately \$600,000 which is not reflected in the financial statements, is anticipated in respect of the sale through the savings effected by the subsidiary in the application of prior losses.

The receivables of Standard Discount Corporation Limited have been entirely liquidated except for recoveries on accounts previously written off which are being collected for the Receiver and Manager on a percentage basis. The amount of \$142,864 shown at the year end has been collected in full and additional recovery may approximate \$25,000. The very satisfactory experience with this former subsidiary is in considerable part due to the effort and cooperation received from the former owners of this business, who assisted in the successful liquidation of its receivables under an agreement to share in the recoveries on an incentive basis.

## Current Financial Position

At the date of this report, the Receiver and Manager holds the following amounts on term deposit with banks and other trust companies and in obligations of Canadian provinces:

Canadian funds.....	\$40,039,000
U.S. funds at Canadian dollar equivalent.....	44,500,000
	<u>\$84,539,000</u>

The notes of G.A.C., amounting to \$4,927,511 prior to accrued interest, could also be classified now as short-term investments, since \$2,500,000 is repayable on October 1, 1969 and the balance a year later.

The policy of maintaining up to one-half of these funds in U.S. dollars has been maintained and, with short-term rates in the U.S. currently higher than those in Canada, the interest penalty has disappeared. Recent deposits in Canadian dollars have been made at rates of 8.05% and in U.S. dollars at 9%. These deposits are all made for a six-month term and have prior withdrawal privileges if required for distribution to noteholders.



The accrual of interest at these high rates increased the estimated recoveries to \$107,000,000 as at May 31, 1969.

### **Written-off Accounts**

The function of the Special Services Office, maintained by G.A.C. for collection of these accounts, continues to be justified by recoveries. There has been an average monthly recovery of \$35,000 with applicable expense of about \$10,000, half of which is legal and court costs. Collections are increasingly difficult since most accounts were originated at least five years ago and the remaining receivables are pretty much "hard-core". About 11,000 accounts, on which \$7,700,000 is owing, are still being worked but the salvage on these is likely to be minimal. That the continuing effort has been worthwhile is evidenced by the gross recoveries to date of \$2,000,000.

### **Lucayan Beach Hotel and Development Limited**

The interim report of the Receiver and Manager issued in November, 1968 outlined the action to terminate the management contract under which the hotel had been operated for three years. Since that time officers of the Receiver and Manager and of The Clarkson Company Limited have been closely involved in management along with the hotel management consultants whose services were then retained. Operating results at the hotel have shown a marked improvement and operating profits are forecast, for the current year ending September 30, 1969, to be \$1,000,000. Of this amount 20% will accrue to the management consultants and to the hotel staff under existing profit-sharing arrangements and the balance will be available for depreciation and repayment of accrued interest on the advances from the Receiver and Manager. This is in addition to \$500,000 of income from the casino rental which is withheld from the hotel operation and is also available for interest payments and reduction of advances.

The earnings forecast reflect greatly improved business for the hotel as a result of increased sales effort and the rising traffic to Freeport, Grand Bahama. Particular attention has been paid to repairs and maintenance, replacement of equipment and improvement of the standards of appearance and service. These have tended to increase costs in the current year but should enhance the prospects for sale. A great deal of time has been spent with would-be purchasers but negotiations, so far, have been inconclusive.

It was mentioned earlier that cash receipts from the Hotel in 1968 exceeded the interest accrual on advances during the year. So far, in 1969, payments from the Hotel on account of interest on advances have totalled \$715,000 U.S.

### **Litigation concerning Senior Notes**

Delays in the completion of examinations for discovery and interlocutory proceedings concerning such examinations have prevented the fixing of a trial date in the action brought by Connecticut General Life Insurance Company to determine the validity of certain senior notes of Atlantic Acceptance. Counsel for Montreal Trust Company is continuing to press for an early conclusion of these pre-trial proceedings to avoid further postponement of the trial of the action.

July 25, 1969

MONTREAL TRUST COMPANY,

Receiver and Manager.

Per: J. G. Haxton,

Vice-President.

**ATLANTIC ACCEPTANCE CORPORATION LIMITED**  
**in Receivership**

**MONTREAL TRUST COMPANY,**  
**Receiver and Manager**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 1968**



ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1968

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# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 23, 1969.

## AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager  
of Atlantic Acceptance Corporation Limited:

We have examined the accompanying combined financial statements for 1968 (Exhibits 1, 2 and 3) of Atlantic Acceptance Corporation Limited - In Receivership.

### Scope of examination:

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Combined Statement of Deficiency in Net Assets as at December 31, 1968 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership and to report on the transactions recorded during the year then ended under the direction of the Receiver and Manager.

### Combined Statement of Deficiency in Net Assets as at December 31, 1968 (Exhibit 1):

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Combined Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$1,057,993, subject to the comment concerning bank deposits of \$967,279 in Note 2 to the combined financial statements), short-term investments (\$81,005,892), income taxes recoverable (\$127,905), 6% Capital Notes of General Acceptance Corporation (\$5,000,603), and fixed assets (\$2) are fairly presented in the Combined Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the estimated realizable value of instalment notes and accounts receivable (\$847,471) and the estimated amounts due in respect of sale of interest in former subsidiary companies (\$5,416,515) as referred to in Note 3 to the combined financial statements have been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$11,251,045 (Note 4 to the combined financial statements). We have been unable to form an opinion as to the amount which may be realized from this investment.

We are also of the opinion that the liabilities are fairly presented in the Combined Statement of Deficiency in Net Assets except that:

Full provision has not been made for the compensation of the Receiver and Manager (Note 6 to the combined financial statements).

Litigation is pending which seeks to establish that senior notes issued after August 17, 1964 are not entitled to the security of the Senior Note indenture (Note 11 to the combined financial statements). The Combined Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$133,562,050 is entitled to the security of the indenture.

Combined Statement of Deficit as at June 17, 1965, the date when the company went into receivership, as adjusted to December 31, 1968 (Exhibit 2):

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We have reviewed the adjustments made during the year ended December 31, 1968 by the Receiver and Manager relating to the assets and liabilities as at June 17, 1965 as set out in the Combined Statement of Deficit as at June 17, 1965, and consider them necessary in order to state the net assets at their estimated realizable value at December 31, 1968.

Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1968, while the operations of the companies were under the control of the Receiver and Manager (Exhibit 2),

and

Combined Statement of Loss for the year ended December 31, 1968 (Exhibit 3):

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Except that no provision has been made for the operating loss of the unconsolidated subsidiary company, Lucayan Beach Hotel and Development Limited



(Note 4 to the combined financial statements), in our opinion the Combined Statement of Loss for the year ended December 31, 1968 presents fairly the combined income and expenses arising during the year from the net assets under the control of the Receiver and Manager, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1968 presents fairly the cumulative results of operations during that period.

*Price Waterhouse & Co.*

Chartered Accountants.

## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP



(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS

(See Note 1 for basis of preparation of combined financial statements)

	<u>December 31</u>	
	<u>1968</u>	<u>1967</u>
Assets under the control of the Receiver and Manager:		
Cash (Note 2)	\$ 1,057,993	\$ 1,575,782
Short-term investments, maturing within one year, at cost plus accrued interest (including in 1968 \$36,200,080 (U.S. \$33,743,157) payable in U.S. dollars):		
Deposit receipts of Canadian chartered banks	36,974,990	40,190,718
Guaranteed investment certificates of Canadian trust companies	20,401,691	7,793,437
Provincial treasury bills	16,765,697	152,495
Hydro electric commission notes, guaranteed by provincial governments	<u>6,863,514</u>	<u>18,034,320</u>
	81,005,892	66,170,970
Instalment notes and accounts receivable, at estimated realizable value	847,471	1,252,576
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)	5,416,515	8,023,353
Income taxes recoverable and, in 1967, miscellaneous accounts receivable, at estimated realizable value	127,905	723,087
Investments and advances:		
Lucayan Beach Hotel and Development Limited (Note 4)	11,251,045	10,576,592
6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 5)	5,000,603	8,552,519
Shares of Great Northern Capital Corporation Limited	<u>-</u>	<u>700,000</u>
	16,251,648	19,829,111
Fixed assets, at nominal value	<u>2</u>	<u>2</u>
Forward	\$104,707,426	\$97,574,881



	<u>December 31</u>	
	<u>1968</u>	<u>1967</u>
Forward	\$104,707,426	\$ 97,574,881
Deduct- Liabilities of the Receiver and Manager:		
Accounts payable and accrued liabilities	<u>214,624</u>	<u>213,880</u>
Estimated realizable value of net assets under the control of the Receiver and Manager, before full provision for the compensation of the Receiver and Manager (Note 6), being 96.1% of the principal amount (\$108,712,494) due to senior note-holders as at December 31, 1968	104,492,802	97,361,001
Deduct- Senior debt (Note 7)	<u>133,562,050</u>	<u>127,768,562</u>
Deficiency in net assets to meet senior debt outstanding, before full provision for the compensation of the Receiver and Manager (Note 6)	29,069,248	30,407,561
Other liabilities:		
Subordinated debt (Note 8)	20,262,633	19,353,857
Junior subordinated debt (Note 9)	5,267,462	5,024,799
Accounts payable and accrued liabilities	75,523	75,523
Dividends payable	249,430	249,430
Contingent liabilities (Note 10)	<u>-</u>	<u>-</u>
	<u>25,855,048</u>	<u>24,703,609</u>
Deficiency in net assets	<u>\$ 54,924,296</u>	<u>\$ 55,111,170</u>
Represented by:		
Capital stock	\$ 14,455,087	\$ 14,455,087
Deficit (Exhibit 2):		
As at June 17, 1965 as adjusted to end of year	61,259,949	63,723,412
For the period from June 18, 1965 to end of year	<u>8,119,434</u>	<u>5,842,845</u>
	<u>(69,379,383)</u>	<u>(69,566,257)</u>
	<u>\$ 54,924,296</u>	<u>\$ 55,111,170</u>

(The accompanying notes are an integral part of the combined financial statements.)

## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT  
AS AT JUNE 17, 1965,  
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,  
AS ADJUSTED TO DECEMBER 31, 1968

	<u>Year ended December 31</u>	
	<u>1968</u>	<u>1967</u>
Balance at June 17, 1965 as adjusted to beginning of year	\$63,723,412	\$65,497,059
Deduct- Adjustments during the year ended December 31 relating to the assets and liabilities at June 17, 1965:		
Excess of amount received on the sale of shares of Great Northern Capital Corporation Limited over the book value of \$700,000 placed on the shares when they were acquired in 1965	1,375,338	-
Adjustment of foreign exchange on notes payable in United States dollars based on year-end exchange rates (Note 1)	604,367	56,141
Amounts recovered on notes and accounts receivable previously written off as uncollectible	314,211	343,303
Amounts received (or estimated to be received) from collections of notes and accounts receivable in excess of their estimated realizable value at beginning of year	238,976	1,436,003
Increase in estimated income taxes recoverable	-	120,435
Excess of estimated realizable value of a miscellaneous account receivable at December 31, 1966 over the amount to be received on collection of the account	-	(58,905)
	<u>2,532,892</u>	<u>1,896,977</u>
Add- Legal expenses of the receivership	<u>69,429</u>	<u>123,330</u>
	<u>2,463,463</u>	<u>1,773,647</u>
Deficit at June 17, 1965 as adjusted to end of year	<u>\$61,259,949</u>	<u>\$63,723,412</u>

COMBINED STATEMENT OF DEFICIT  
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1968  
WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER

	<u>Year ended December 31</u>	
	<u>1968</u>	<u>1967</u>
Deficit from June 18, 1965 to beginning of year	\$ 5,842,845	\$ 3,084,624
Add- Loss for the year (Exhibit 3)	<u>2,276,589</u>	<u>2,758,221</u>
Deficit at end of year	<u>\$ 8,119,434</u>	<u>\$ 5,842,845</u>

(The accompanying notes are an integral part  
of the combined financial statements.)



## ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## COMBINED STATEMENT OF LOSS

	<u>Year ended December 31</u>	
	<u>1968</u>	<u>1967</u>
Operating income:		
Interest on short-term investments	\$4,693,890	\$3,509,777
Interest on advances to-		
Lucayan Beach Hotel and Development Limited		
(Note 4)	518,175	484,813
Standard Discount Corporation Limited	161,508	186,744
Interest on 6% Capital Notes of General Acceptance Corporation	453,734	686,317
Other interest	<u>8,912</u>	<u>79,892</u>
	5,836,219	4,947,543
Operating expenses:		
Administrative-		
Adjustment of provision for loss on notes and accounts receivable	-	(10,126)
Bank charges	443	(1,134)
Capital and place of business taxes	329	158
Collection expenses	93,562	79,651
Credit information	-	1,210
Employee benefits	1,020	1,064
Insurance	191	374
Legal and audit	26,603	131,756
Management fees to G.A.C. International Acceptance Corporation Limited	25,000	31,250
Miscellaneous	2,930	1,944
Notary, filing and recording fees	-	666
Occupancy	1,405	(1,085)
Postage	2,610	2,024
Printing, stationery and office supplies	2,852	2,289
Rent	11,092	20,039
Salaries	43,125	39,797
Telephone and telegraph	7,322	5,580
Travel and automobile expenses	<u>159</u>	<u>927</u>
	218,643	306,384
Foreign exchange	<u>344,871</u>	<u>(42,399)</u>
	563,514	263,985
Excess of operating income over operating expenses before interest on notes	<u>5,272,705</u>	4,683,558
Interest on notes:		
Senior debt-		
Bank advances	433,842	435,990
Short-term	2,521,456	2,504,065
Medium-term	269,017	273,987
Long-term	3,068,100	2,951,098
Subordinated debt	994,685	1,010,658
Junior subordinated debt	<u>262,194</u>	<u>265,981</u>
	7,549,294	7,441,779
Loss for the year	* <u>\$2,276,589</u>	<u>\$2,758,221</u>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 1968

1. Basis of preparation of combined financial statements:

The accompanying Combined Statement of Deficiency in Net Assets as at December 31, 1968 (Exhibit 1) includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited and The Premier Finance Corporation Limited, both of which are in receivership, and
- (b) the assets of the following subsidiaries which are not in receivership but are under the control of the Receiver and Manager:

Adelaide Acceptance Limited  
Atlantic Acceptance (Toronto) Limited  
Commodore Factors Limited  
Concourse Agencies Limited  
Pay As you Study Plan Limited

The financial statements of Lucayan Beach Hotel and Development Limited, a partly-owned subsidiary, have not been combined with those of Atlantic Acceptance because Lucayan's operations are different and unrelated to those of the other companies in the group. For information concerning Lucayan, reference should be made to the audited financial statements of that company as at September 30, 1968 and to Note 4.

The assets in the combined financial statements are stated at estimated realizable values and there has been deducted therefrom the liabilities of the Receiver and Manager, in respect of the two receiverships, and also the liabilities of the above subsidiaries not in receivership, to arrive at the estimated realizable value of net assets under the control of the Receiver and Manager which are available for creditors as of June 17, 1965.

The Combined Statement of Deficit as at June 17, 1965 (Exhibit 2) reflects the results of operations to June 17, 1965 with subsequent adjustments to December 31, 1968 primarily to adjust the assets and liabilities at June 17, 1965 to their estimated realizable values, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1968 (Exhibit 2) reflects the cumulative results of operations carried out by or under the direction of the Receiver and Manager, in respect of the assets of the companies in the Atlantic group during that period.

The results of operations for the year ended December 31, 1968 are set out in the Combined Statement of Loss (Exhibit 3).

In combining the financial statements as described above, all intergroup assets and liabilities and income and expenses have been eliminated.



In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$93.21) as at December 31, 1968.

2. Cash:

Cash includes bank deposits of \$967,279 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

Since the date of receivership, the Receiver and Manager has sold the shares of three wholly-owned subsidiary companies, and the following amounts are estimated to be recoverable arising out of these transactions:

	<u>1968</u>	<u>1967</u>
Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31	\$4,887,967	\$ 6,011,868
Estimated realizable value of certain notes receivable and other net assets of Atlantic Finance Corporation Limited as at December 31	385,684	880,129
Due from Standard Discount Corporation Limited	<u>142,864</u>	<u>1,131,356</u>
	<u>\$5,416,515</u>	<u>\$ 8,023,353</u>

4. Lucayan Beach Hotel and Development Limited:

Changes in the investment in Lucayan during 1968 were as follows:

Balance at December 31, 1967		\$10,576,592
Remaining consideration on acquisition of a debenture in the amount of U.S. \$600,000		217,000
Transactions with Lucayan in 1968 -		
Advance (U.S. \$475,000)	\$ 509,586	
Accrued interest (U.S. \$483,012)	518,175	
Repayments credited to interest receivable (U.S. \$485,000)	(520,314)	
Foreign exchange adjustment	<u>(49,994)</u>	<u>457,453</u>
Balance at December 31, 1968		<u>\$11,251,045</u>

This amount is allocated as follows:

	<u>U.S.</u>	<u>Canadian</u>
Advances to assist Lucayan in meeting its current obligations	\$5,954,176	\$ 6,387,714
Debentures purchased, shown at their face amount	<u>1,800,000</u>	1,931,062
Interest receivable on debentures and advances	<u>1,094,105</u>	<u>1,173,770</u>
	<u>\$8,848,281</u>	<u>9,492,546</u>
Balance allocated to the 61.4% of the outstanding shares of Lucayan purchased in 1965		<u>1,758,499</u>
		<u>\$11,251,045</u>

The Receiver and Manager also controls a further 30% of the outstanding shares of Lucayan and debentures issued by it in the face amount of U.S. \$600,000. The estimated realizable value of these securities is included in the estimated amount recoverable from the assets of Commodore Sales Acceptance Limited referred to in Note 3.

As security for all amounts owing to it by Lucayan, the company is entitled to receive debentures having a first charge on the Lucayan assets. As at December 31, 1968 approximately U.S. \$878,000 of the amounts due to the company directly and through Commodore Sales Acceptance Limited has not yet been covered by the actual issue of debentures.

The total of the Lucayan investment and estimated recovery on other Lucayan securities included in the accounts at December 31, 1968 is approximately equal to the indicated value of these assets based on the net price at which the properties of Lucayan are currently being offered for sale.

The values at which the properties of Lucayan are carried in its own accounts are substantially greater than the anticipated sale value of such properties. Since the Receiver and Manager acquired control of Lucayan in 1965 the company's share of the cumulative losses shown in the audited financial statements of Lucayan amount to approximately \$2,750,000 (including about \$650,000 for the fiscal year ended September 30, 1968). The Lucayan losses include accrued interest on advances from the company and also include charges for depreciation, based on the Lucayan book value of its fixed assets, amounting to about \$1,985,000 since Atlantic acquired control. In view of the Receiver and Manager's policy of carrying the total interest in Lucayan at its estimated realizable value no provision for these losses has been included in the company's accounts.

5. 6% Capital Notes of General Acceptance Corporation:

In September 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of the company as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation prepaid without premium \$4,000,000 on October 1, 1967 and \$3,500,000 on October 1, 1968 and will prepay without premium \$2,500,000 on October 1, 1969, and pay the balance of \$2,427,511 on October 1, 1970.

6. Compensation of the Receiver and Manager:

An initial interim award of compensation in the amount of \$1,750,000 was paid to the Receiver and Manager upon approval by the Court in December 1966. No provision has been made for any further compensation to the Receiver and Manager.

7. Senior debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment

of notes receivable and by a first floating charge on the assets of the company.  
The senior debt consists of the following liabilities in Canadian and United States dollars:

	<u>1968</u>	<u>1967</u>
Bank advances (Note 2):		
Payable in Canadian dollars	\$ 3,250,000	\$ 3,250,000
Payable in United States dollars		
(U.S. \$4,000,000)	<u>4,291,250</u>	<u>4,322,500</u>
	7,541,250	7,572,500
Short-term notes (Note 2):		
Payable in Canadian dollars	35,280,135	35,280,135
Payable in United States dollars		
(U.S. \$15,953,000)	<u>17,114,577</u>	<u>17,239,211</u>
	52,394,712	52,519,346
Medium-term notes:		
Payable in Canadian dollars-		
5 %	100,000	100,000
5 3/8%	140,000	140,000
5 7/8%	700,000	700,000
Payable in United States dollars-		
5 % (U.S. \$2,000,000)	2,145,625	2,161,250
5 1/4% (U.S. \$2,000,000)	<u>2,145,625</u>	<u>2,161,250</u>
	5,231,250	5,262,500
Long-term notes:		
Payable in Canadian dollars-		
Series B 6 1/2%	846,000	846,000
Series C 5 3/4%	600,000	600,000
Series D 5 3/4%	400,000	400,000
Series E 6 1/4%	400,000	400,000
Series F 5 1/4%	100,000	100,000
Series G 6 1/4%	100,000	100,000
Series H 6 %	700,000	700,000
Series I 6 %	1,250,000	1,250,000
Series O 6 1/8%	1,500,000	1,500,000
Payable in United States dollars-		
Series A 6 1/2% (U.S. \$3,384,000)	3,630,398	3,656,835
Series J 6 % (U.S. \$2,250,000)	2,413,828	2,431,406
Series K 6 % (U.S. \$1,500,000)	1,609,219	1,620,937
Series L 6 % (U.S. \$2,500,000)	2,682,031	2,701,563
Series M 6 % (U.S. \$2,500,000)	2,682,031	2,701,563
Series N 5 3/4% (U.S. \$7,500,000)	8,046,094	8,104,687
Series P 6 % (U.S. \$1,500,000)	1,609,219	1,620,937
Series Q 6 % (U.S. \$8,500,000)	9,118,906	9,185,313
Series R 5 7/8% (U.S. \$5,460,000)	<u>5,857,556</u>	<u>5,900,213</u>
	43,545,282	43,819,454
Principal amount of senior debt	108,712,494	109,173,800
Redemption premium on long-term notes	<u>2,161,558</u>	<u>2,176,335</u>
	110,874,052	111,350,135
Accrued interest on senior debt to December 31	<u>22,687,998</u>	<u>16,418,427</u>
	<u>\$133,562,050</u>	<u>\$127,768,562</u>



8. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

	<u>1968</u>	<u>1967</u>
Payable in Canadian dollars-		
6 %	\$ 23,500	\$ 23,500
6 1/4%	4,500,000	4,500,000
Payable in United States dollars-		
6 1/2% (U.S. \$2,250,000)	2,413,828	2,431,406
6 1/2% (U.S. \$ 782,000)	838,939	845,049
6 % (U.S. \$3,478,000)	3,731,242	3,758,414
6 1/4% (U.S. \$2,340,000)	2,510,381	2,528,662
6 1/4% (U.S. \$2,000,000)	<u>2,145,625</u>	<u>2,161,250</u>
Principal amount of subordinated debt	16,163,515	16,248,281
Redemption premium	<u>399,925</u>	<u>401,068</u>
	16,563,440	16,649,349
Accrued interest on subordinated debt to December 31	<u>3,699,193</u>	<u>2,704,508</u>
	<u>\$20,262,633</u>	<u>\$19,353,857</u>

9. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

	<u>1968</u>	<u>1967</u>
Payable in Canadian dollars-		
6 1/2%	\$ 1,000,000	\$ 1,000,000
6 3/4%	400,000	400,000
6 3/4%	150,000	150,000
Payable in United States dollars-		
6 % (U.S. \$2,000,000)	2,145,625	2,161,250
6 1/2% (U.S. \$ 500,000)	<u>536,406</u>	<u>540,313</u>
	4,232,031	4,251,563
Accrued interest on junior subordinated debt to December 31	<u>1,035,431</u>	<u>773,236</u>
	<u>\$ 5,267,462</u>	<u>\$ 5,024,799</u>

10. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$110,000. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

11. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after August 17, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 23, 1969.

## AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager  
of Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) as at December 31, 1968, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1968, the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 and the Statement of Loss for the year ended December 31, 1968.

### Scope of examination:

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Statement of Deficiency in Net Assets as at December 31, 1968 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) and to report on the transactions recorded during the year then ended under the direction of the Receiver and Manager.

### Statement of Deficiency in Net Assets as at December 31, 1968 (Exhibit 1):

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Statement of Deficiency in Net Assets as a whole.



However, in our opinion, cash (\$1,041,900, subject to the comment concerning bank deposits of \$967,279 in Note 2 to the financial statements), short-term investments (\$81,005,892), income taxes recoverable (\$48,962), and 6% Capital Notes of General Acceptance Corporation (\$5,000,603) are fairly presented in the Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the estimated amounts due in respect of sale of interest in former subsidiary companies (\$5,416,515) as referred to in Note 3 to the financial statements have been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

The advances to wholly-owned subsidiary companies in the amount of \$773,041 and the estimated equity in assets held by the Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited in the amount of \$134,557 are stated at the estimated realizable value of the underlying assets, most of which consist of notes and accounts receivable whose value on liquidation is subject to the uncertainties mentioned above.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$11,251,045 (Note 4 to the financial statements). We have been unable to form an opinion as to the amount which may be realized from the investment.

We are also of the opinion that the liabilities are fairly presented in the Statement of Deficiency in Net Assets except that:

Full provision has not been made for the compensation of the Receiver and Manager (Note 6 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after August 17, 1964 are not entitled to the security of the Senior Note indenture (Note 11 to the financial statements). The Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$133,562,050 is entitled to the security of the indenture.

Statement of Deficit as at June 17, 1965,  
the date when the company went into  
receivership, as adjusted to December 31,  
1968 (Exhibit 2):

---

We have reviewed the adjustments made during the year ended December 31, 1968 by the Receiver and Manager relating to the assets and liabilities as at June 17, 1965 as set out in the Statement of Deficit as at June 17, 1965, and consider them necessary in order to state the net assets at their estimated realizable value at December 31, 1968.

Statement of Deficit for the period from  
June 18, 1965 to December 31, 1968,  
while the operations of the company  
were under the control of the Receiver  
and Manager (Exhibit 2),

and

Statement of Loss for the year ended  
December 31, 1968 (Exhibit 3):

Except that no provision has been made for the operating loss of  
Lucayan Beach Hotel and Development Limited (Note 4 to the financial statements),  
in our opinion the Statement of Loss for the year ended December 31, 1968  
presents fairly the income and expenses arising during the year from the net  
assets under the control of the Receiver and Manager, and the Statement of  
Deficit for the period from June 18, 1965 to December 31, 1968 presents fairly  
the cumulative results of operations during that period.

*Price Waterhouse & Co.*

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS  
AS AT DECEMBER 31, 1968

Assets under the control of the Receiver and Manager:

Cash (Note 2)		\$ 1,041,900
Short-term investments, maturing within one year, at cost plus accrued interest (including in 1968 \$36,200,080 (U.S. \$33,743,157) payable in U.S. dollars):		
Deposit receipts of Canadian chartered banks	\$36,974,990	
Guaranteed investment certificates of Canadian trust companies	20,401,691	
Provincial treasury bills	16,765,697	
Hydro electric commission notes, guaranteed by provincial governments	<u>6,863,514</u>	
		81,005,892
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)		5,416,515
Income taxes recoverable		48,962
Investments and advances:		
Lucayan Beach Hotel and Development Limited (Note 4)	11,251,045	
6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 5)	5,000,603	
Advances to wholly-owned subsidiary companies, at estimated realizable value	<u>773,041</u>	
		17,024,689
Estimated equity in assets held by Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited		<u>134,557</u>
Forward		\$104,672,515



Forward

\$104,672,515

## Deduct- Liabilities of the Receiver and Manager:

Accounts payable and accrued liabilities

179,713

Estimated realizable value of net assets under the control of the Receiver and Manager, before full provision for the compensation of the Receiver and Manager (Note 6), being 96.1% of the principal amount (\$108,712,494) due to ~~senior note~~ holders as at December 31, 1968

104,492,802

## Deduct- Senior debt (Note 7)

• 133,562,050

Deficiency in net assets to meet senior debt outstanding, before full provision for the compensation of the Receiver and Manager (Note 6)

29,069,248

## Other liabilities:

Subordinated debt (Note 8)

20,262,633

Junior subordinated debt (Note 9)

5,267,462

Accounts payable and accrued liabilities

64,893

Dividends payable

249,430

Contingent liabilities (Note 10)

-25,844,418

Deficiency in net assets

\$ 54,913,666

## Represented by:

Capital stock

\$ 14,455,087

## Deficit (Exhibit 2):

As at June 17, 1965 as adjusted to

December 31, 1968

\$61,249,319

For the period from June 18, 1965 to

December 31, 1968

8,119,43469,368,753\$ 54,913,666

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT  
AS AT JUNE 17, 1965,  
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,  
AS ADJUSTED TO DECEMBER 31, 1968

Balance at June 17, 1965 as adjusted to December 31, 1967		\$63,712,782
Deduct- Adjustments during the year ended December 31, 1968 relating to the assets and liabilities at June 17, 1965:		
Excess of amount received on the sale of shares of Great Northern Capital Corporation Limited over the book value of \$700,000 placed on the shares when they were acquired in 1965	\$1,375,338	
Adjustment of foreign exchange on notes payable in United States dollars based on year-end exchange rates (Note 1)	604,367	
Amounts recovered on notes and accounts receivable previously written off as uncollectible	314,211	
Amounts received (or estimated to be received) from advances to subsidiary (or former subsidiary) companies in excess of their estimated realizable value at December 31, 1967	<u>238,976</u>	
	2,532,892	
Add- Legal expenses of the receivership	<u>69,429</u>	
		<u>2,463,463</u>
Deficit at June 17, 1965 as adjusted to December 31, 1968		<u>\$61,249,319</u>

STATEMENT OF DEFICIT  
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1968  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1967	\$ 5,842,845
Add- Loss for the year (Exhibit 3)	<u>2,276,589</u>
Deficit at December 31, 1968	<u>\$ 8,119,434</u>

(The accompanying notes are an integral part  
of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1968

Operating income:		
Interest on short-term investments		\$4,693,890
Interest on 6% Capital Notes of General Acceptance Corporation		453,734
Other interest		<u>2,653</u>
		5,150,277
Operating expenses:		
Administrative-		
Bank charges	\$	398
Collection expenses		66,180
Employee benefits		824
Insurance		156
Legal and audit		(1,143)
Management fees to G.A.C. International Acceptance Corporation Limited		25,000
Miscellaneous		2,070
Occupancy		1,300
Postage		2,109
Printing, stationery and office supplies		2,188
Rent		10,575
Salaries		34,663
Telephone and telegraph		5,994
Travel and automobile expenses		<u>121</u>
		150,435
Foreign exchange		<u>346,470</u>
		496,905
Excess of operating income over operating expenses before interest on notes		<u>4,653,372</u>
Interest on notes:		
Senior debt-		
Bank advances		433,842
Short-term		2,521,456
Medium-term		269,017
Long-term		3,068,100
Subordinated debt		994,685
Junior subordinated debt		<u>262,194</u>
		7,549,294
		<u>2,895,922</u>
Interest charged on advances to wholly-owned subsidiary companies		988,681
Less- Provision for the net loss of these companies for the year ended December 31, 1968		<u>1,031,911</u>
		(43,230)
Interest charged on advances to:		
Lucayan Beach Hotel and Development Limited (Note 4)		518,175
Standard Discount Corporation Limited		<u>144,388</u>
		619,333
Loss for the year		<u><u>\$2,276,589</u></u>

(The accompanying notes are an integral part of the financial statements.)



ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1968

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets, and the business and assets of its wholly-owned subsidiaries, are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$93.21) as at December 31, 1968.

2. Cash:

Cash includes bank deposits of \$967,279 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

Since the date of receivership, the Receiver and Manager has sold the shares of three wholly-owned subsidiary companies, and the following amounts are estimated to be recoverable arising out of these transactions:

Estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31, 1968	\$ 4,887,967
Estimated realizable value of certain notes receivable and other net assets of Atlantic Finance Corporation Limited as at December 31, 1968	385,684
Due from Standard Discount Corporation Limited	<u>142,864</u>
	<u>\$ 5,416,515</u>

4. Lucayan Beach Hotel and Development Limited:

Changes in the investment in Lucayan during 1968 were as follows:

Balance at December 31, 1967	\$10,576,592
Remaining consideration on acquisition of a debenture in the amount of U.S. \$600,000	217,000
Transactions with Lucayan in 1968 -	
Advance (U.S. \$475,000)	\$509,586
Accrued interest (U.S. \$483,012)	518,175
Repayments credited to interest receivable (U.S. \$485,000)	(520,314)
Foreign exchange adjustment	<u>(49,994)</u>
	<u>457,453</u>
Balance at December 31, 1968	<u>\$11,251,045</u>

This amount is allocated as follows:

	<u>U.S.</u>	<u>Canadian</u>
Advances to assist Lucayan in meeting its current obligations	\$5,954,176	\$ 6,387,714
Debentures purchased, shown at their face amount	1,800,000	1,931,062
Interest receivable on debentures and advances	<u>1,094,105</u>	<u>1,173,770</u>
	<u>\$8,848,281</u>	9,492,546
Balance allocated to the 61.4% of the outstanding shares of Lucayan purchased in 1965		<u>1,758,499</u>
		<u>\$11,251,045</u>

The Receiver and Manager also controls a further 30% of the outstanding shares of Lucayan and debentures issued by it in the face amount of U.S. \$600,000. The estimated realizable value of these securities is included in the estimated amount recoverable from the assets of Commodore Sales Acceptance Limited referred to in Note 3.

As security for all amounts owing to it by Lucayan, the company is entitled to receive debentures having a first charge on the Lucayan assets. As at December 31, 1968 approximately U.S. \$878,000 of the amounts due to the company directly and through Commodore Sales Acceptance Limited has not yet been covered by the actual issue of debentures.

The total of the Lucayan investment and estimated recovery on other Lucayan securities included in the accounts at December 31, 1968 is approximately equal to the indicated value of these assets based on the net price at which the properties of Lucayan are currently being offered for sale.

The values at which the properties of Lucayan are carried in its own accounts are substantially greater than the anticipated sale value of such properties. Since the Receiver and Manager acquired control of Lucayan in 1965 the company's share of the cumulative losses shown in the audited financial statements of Lucayan amount to approximately \$2,750,000 (including about \$650,000 for the fiscal year ended September 30, 1968). The Lucayan losses include accrued interest on advances from the company and also include charges for depreciation, based on the Lucayan book value of its fixed assets, amounting to about \$1,985,000 since Atlantic acquired control. In view of the Receiver and Manager's policy of carrying the total interest in Lucayan at its estimated realizable value no provision for these losses has been included in the company's accounts.

#### 5. 6% Capital Notes of General Acceptance Corporation:

In September 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of the company as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation prepaid without premium \$4,000,000 on October 1, 1967 and \$3,500,000 on October 1, 1968 and will prepay without premium \$2,500,000 on October 1, 1969, and pay the balance of \$2,427,511 on October 1, 1970.

#### 6. Compensation of the Receiver and Manager:

An initial interim award of compensation in the amount of \$1,750,000 was paid to the Receiver and Manager upon approval by the Court in December 1966. No provision has been made for any further compensation to the Receiver and Manager.

#### 7. Senior Debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company.

The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):		
Payable in Canadian dollars		\$ 3,250,000
Payable in United States dollars		
(U.S. \$4,000,000)		<u>4,291,250</u>
		7,541,250 ←
Short-term notes (Note 2):		
Payable in Canadian dollars		35,280,135
Payable in United States dollars		
(U.S. \$15,953,000)		<u>17,114,577</u>
		52,394,712 ←
Medium-term notes:		
Payable in Canadian dollars-		
5 %		100,000
5 3/8%		140,000
5 7/8%		700,000
Payable in United States dollars-		
5 % (U.S. \$2,000,000)		2,145,625
5 1/4% (U.S. \$2,000,000)		<u>2,145,625</u>
		5,231,250 ←
Long-term notes:		
Payable in Canadian dollars-		
Series B 6 1/2%		846,000
Series C 5 3/4%		600,000
Series D 5 3/4%		400,000
Series E 6 1/4%		400,000
Series F 5 1/4%		100,000
Series G 6 1/4%		100,000
Series H 6 %		700,000
Series I 6 %		1,250,000
Series O 6 1/8%		1,500,000
Payable in United States dollars-		
Series A 6 1/2% (U.S. \$3,384,000)		3,630,398
Series J 6 % (U.S. \$2,250,000)		2,413,828
Series K 6 % (U.S. \$1,500,000)		1,609,219
Series L 6 % (U.S. \$2,500,000)		2,682,031
Series M 6 % (U.S. \$2,500,000)		2,682,031
Series N 5 3/4% (U.S. \$7,500,000)		8,046,094
Series P 6 % (U.S. \$1,500,000)		1,609,219
Series Q 6 % (U.S. \$8,500,000)		9,118,906
Series R 5 7/8% (U.S. \$5,460,000)		<u>5,857,556</u>
		43,545,282 ←
Principal amount of senior debt		108,712,494 ←
Redemption premium on long-term notes		<u>2,161,558</u>
		110,874,052
Accrued interest on senior debt to December 31, 1968		<u>22,687,998</u> ←
		<u>\$133,562,050</u>

*Excluded  
Senior debt*



8. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-		
6 %		\$ 23,500
6 1/4%		4,500,000
Payable in United States dollars-		
6 1/2%	(U.S. \$2,250,000)	2,413,828
6 1/2%	(U.S. \$ 782,000)	838,939
6 %	(U.S. \$3,478,000)	3,731,242
6 1/4%	(U.S. \$2,340,000)	2,510,381
6 1/4%	(U.S. \$2,000,000)	2,145,625
Principal amount of subordinated debt		16,163,515
Redemption premium		399,925
Accrued interest on subordinated debt to December 31, 1968		16,563,440
		3,699,193
		<u>\$20,262,633</u>

9. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-		
6 1/2%		\$ 1,000,000
6 3/4%		400,000
6 3/4%		150,000
Payable in United States dollars-		
6 %	(U.S. \$2,000,000)	2,145,625
6 1/2%	(U.S. \$ 500,000)	536,406
		4,232,031
Accrued interest on junior subordinated debt to December 31, 1968		1,035,431
		<u>\$ 5,267,462</u>

10. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$110,000. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

11. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after August 17, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 23, 1969.

## AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager  
of The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1968, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1968, the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 and the Statement of Loss for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

The estimated realizable value of instalment notes and accounts receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Statement of Deficiency in Net Assets presents fairly the financial position of the company as at December 31, 1968.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1968 relating to the assets as at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the assets at their estimated realizable value at December 31, 1968.



In our opinion the Statement of Loss for the year ended December 31, 1968 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 presents fairly the cumulative results of operations during that period.

*Price Waterhouse & Co.*

Chartered Accountants.

## THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## STATEMENT OF DEFICIENCY IN NET ASSETS

AS AT DECEMBER 31, 1968

Assets under the control of the Receiver and Manager:	
Cash	\$ 9,113
Instalment notes and accounts receivable, at estimated realizable value (Note 2)	60,000
Income taxes recoverable	65,443
Fixed assets, at nominal value	<u>1</u>
Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965	134,557
Deduct- Advances from Atlantic Acceptance Corporation Limited (Note 1)	<u>2,299,190</u>
Deficiency in net assets to meet outstanding advances from Atlantic Acceptance Corporation Limited	2,164,633
Add- Other accounts payable and accrued liabilities	<u>10,630</u>
Deficiency in net assets	<u><u>\$2,175,263</u></u>
Represented by:	
Capital stock	\$ 185,618
Deficit (Exhibit 2)-	
As at June 17, 1965 as adjusted to December 31, 1968	\$1,651,720
For the period from June 18, 1965 to December 31, 1968	<u>709,161</u>
	<u>(2,360,881)</u>
	<u><u>\$2,175,263</u></u>

(The accompanying notes are an integral part of the financial statements.)

## THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

## STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED  
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1968

Deficit at June 17, 1965 as adjusted to December 31, 1967	\$1,757,906
Deduct- Adjustment during the year ended December 31, 1968 relating to the assets at June 17, 1965:	
Amounts received (or estimated to be received) from collections of instalment notes and accounts receivable in excess of their estimated realizable value at December 31, 1967	<u>106,186</u>
Deficit at June 17, 1965 as adjusted to December 31, 1968	<u>\$1,651,720</u>

## STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1968  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1967	\$ 530,679
Add- Loss for the year ended December 31, 1968 (Exhibit 3)	<u>178,482</u>
Deficit as at December 31, 1968	<u>\$ 709,161</u>

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP  
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1968  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER  
THE CONTROL OF THE RECEIVER AND MANAGER

Operating income:		
Interest from Standard Discount Corporation Limited		\$ 17,120
Operating expenses:		
Administrative-		
Bank charges	\$ 45	
Collection expenses	27,382	
Employee benefits	196	
Insurance	35	
Miscellaneous	495	
Occupancy	105	
Postage	501	
Printing and stationery	664	
Rent	517	
Salaries	8,462	
Telephone and telegraph	1,328	
Travel	38	
	<u>39,768</u>	
Excess of operating expenses over operating income before interest charges		22,648
Interest on advances from Atlantic Acceptance Corporation Limited		<u>155,834</u>
Loss for the year		<u><u>\$178,482</u></u>

(The accompanying notes are an integral part of the financial statements.)



THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1968

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965, and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance, which are stated in the Statement of Deficiency in Net Assets at estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 29, 1965 under an order issued by the Supreme Court of Ontario.

2. Instalment notes and accounts receivable:

The receivables are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper and every effort is being made to collect the outstanding receivables as they fall due.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the accounts. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 23, 1969.

## AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager  
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1968, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1968, the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 and the Statement of Loss for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1968.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1968 relating to the assets as at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the notes receivable at their estimated realizable value at December 31, 1968.

In our opinion the Statement of Loss for the year ended December 31, 1968 presents fairly the income and expenses arising during the year while the operations of the company were under the control of the Receiver and Manager of the parent company, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 presents fairly the cumulative results of operations during that period.

*Price Waterhouse & Co.*

Chartered Accountants.

ADELAIDE ACCEPTANCE LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1968

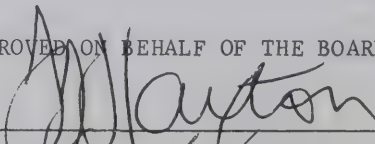

ASSETS

Cash	\$ 3,517
Notes receivable, at estimated realizable value (Note 2)	699,600
Income taxes recoverable	<u>13,500</u>
	<u><u>\$ 716,617</u></u>

LIABILITIES

Advances from Atlantic Acceptance Corporation Limited (Note 1)	\$4,501,349
Capital stock and deficit:	
Capital stock-	
Authorized-	
20,500 7% cumulative redeemable preference shares with a par value of \$10 each	
25,000 common shares of no par value	
Issued and fully paid-	
17,000 preference shares	\$ 170,000
10,103 common shares	<u>10,103</u>
	180,103
Deficit (Exhibit 2)-	
As at June 17, 1965 as adjusted	
to December 31, 1968	\$3,068,659
For the period from June 18, 1965	
to December 31, 1968	<u>896,176</u>
	<u>3,964,835</u>
	<u><u>(3,784,732)</u></u>
	<u><u>\$ 716,617</u></u>

APPROVED ON BEHALF OF THE BOARD:

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

(The accompanying notes are an integral part of the financial statements.)



ADELAIDE ACCEPTANCE LIMITED  
 (a wholly-owned subsidiary of  
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT  
 AS AT JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY  
 WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1968

Deficit at June 17, 1965 as adjusted to December 31, 1967	\$3,128,433
Deduct- Adjustment during the year ended December 31, 1968 relating to the notes receivable at June 17, 1965:	
Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1967	<u>59,774</u>
Deficit at June 17, 1965 as adjusted to December 31, 1968	<u><u>\$3,068,659</u></u>

STATEMENT OF DEFICIT  
 FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1968  
 WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL  
 OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1967	\$ 617,147
Add- Loss for the year ended December 31, 1968 (Exhibit 3)	<u>279,029</u>
Deficit as at December 31, 1968	<u><u>\$ 896,176</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED  
 (a wholly-owned subsidiary of  
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS  
 FOR THE YEAR ENDED DECEMBER 31, 1968

Operating income:		
Interest	\$3,769	
Gain in foreign exchange	<u>3,110</u>	\$ 6,879
Operating expenses:		
Capital and place of business taxes		<u>118</u>
Excess of operating income over operating expenses before interest charges		6,761
Interest on advances from parent company		<u>285,790</u>
Loss for the year		<u><u>\$279,029</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1968

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange (Canadian \$100 equals U.S. \$93.21) as at December 31, 1968.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 23, 1969.

## AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager  
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1968, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1968, the Statement of Deficit for the period from June 18 to December 31, 1968 and the Statement of Loss for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

A provision of \$110,000 has been made as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1968.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1968 relating to the assets at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the mortgages receivable at their estimated realizable value at December 31, 1968.

In our opinion the Statement of Loss for the year ended December 31, 1968 presents fairly the income and expenses arising in that period while the operations were under the control of the Receiver and Manager of the parent company, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 presents fairly the cumulative results of operations during that period.

*Price Waterhouse & Co.*

Chartered Accountants.



ATLANTIC ACCEPTANCE (TORONTO) LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1968

ASSETS

Mortgages receivable, including accrued interest, less estimated allowance for possible loss \$110,000 (Note 2)	\$ 41,741
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LIABILITIES

Accrued liabilities	\$ 45
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Advances from Atlantic Acceptance Corporation Limited	242,152
	242,197

Capital stock and deficit:

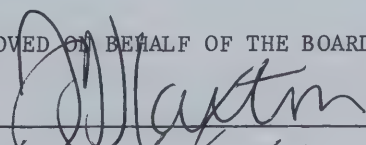
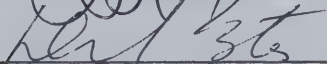
Capital stock-

Authorized- 40,000 shares without par value	
Issued and fully paid- 3 shares	\$ 3

Deficit (Exhibit 2)-

As at June 17, 1965 as adjusted		
to December 31, 1968	\$136,276	
For the period from June 18, 1965		
to December 31, 1968	64,183	
		200,459
		(200,456)
		\$ 41,741

APPROVED ON BEHALF OF THE BOARD:

 _____ Director	
 _____ Director	

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT  
AS AT JUNE 17, 1965,  
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,  
AS ADJUSTED TO DECEMBER 31, 1968

Deficit at June 17, 1965 as adjusted to December 31, 1967	\$136,806
Deduct- Adjustment during the year ended December 31, 1968 relating to the mortgages receivable at June 17, 1965: Amounts received (or estimated to be received) from collections of the mortgages receivable in excess of their estimated realizable value at December 31, 1967	<u>530</u>
Deficit at June 17, 1965 as adjusted to December 31, 1968	<u><u>\$136,276</u></u>

STATEMENT OF DEFICIT  
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1968  
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER  
THE CONTROL OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1967	\$ 50,491
Add- Loss for the year ended December 31, 1968 (Exhibit 3)	<u>13,692</u>
Deficit as at December 31, 1968	<u><u>\$ 64,183</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED  
 (a wholly-owned subsidiary of  
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS  
 FOR THE YEAR ENDED DECEMBER 31, 1968

Operating income:	
Interest	\$ 2,490
Operating expenses:	
Administrative-	
Adjustment of provision for possible loss on collection of mortgages receivable acquired from parent company in 1966	\$297
Capital and place of business taxes	42
Miscellaneous	<u>25</u>
	<u>364</u>
Excess of operating income over operating expenses before interest charges	2,126
Interest on advances from parent company	<u>15,818</u>
Loss for the year	<u><u>\$13,692</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1968

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Atlantic Acceptance (Toronto) Limited, a wholly-owned subsidiary.

The assets of Atlantic Acceptance (Toronto) which are stated in the Balance Sheet at estimated realizable values are being liquidated in satisfaction of the advances from the parent company.

2. Mortgages receivable:

The mortgages are generally repayable in monthly instalments over periods up to 1972 and every effort is being made to collect the outstanding mortgages as they fall due.

A provision of \$110,000 has been made in the Balance Sheet as an estimated allowance for possible loss on collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.



# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 23, 1969.

## AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager,  
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1968, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1968, the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 and the Statement of Loss for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1968.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1968 relating to the assets at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary to state the notes receivable at their estimated realizable value at December 31, 1968.

In our opinion the Statement of Loss for the year ended December 31, 1968 presents fairly the expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1968 presents fairly the cumulative results of operations during that period.

*Price Waterhouse & Co.*

Chartered Accountants.

## COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1968  
(stated in United States dollars)

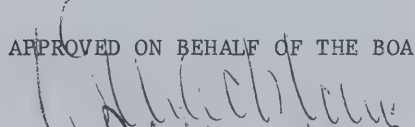
## ASSETS

Cash	\$ 3,228
Notes receivable, at estimated realizable value (Note 2)	43,000
Office furniture, at nominal value	<u>1</u>
	<u>\$ 46,229</u>

## LIABILITIES

Accrued liabilities	\$ 32,500
Advances from Atlantic Acceptance Corporation Limited (Canadian \$8,239,501) (Note 1)	<u>7,680,039</u>
	7,712,539
Capital stock and deficit:	
Capital stock-	
Authorized- 200 shares without par value	
Issued- 100 shares	\$ 10,000
Deficit (Exhibit 2)-	
As at June 17, 1965 as adjusted	
to December 31, 1968	\$5,874,235
For the period from June 18, 1965	
to December 31, 1968	<u>1,802,075</u>
	<u>7,676,310</u>
	<u>(7,666,310)</u>
	<u>\$ 46,229</u>

APPROVED ON BEHALF OF THE BOARD:


 \_\_\_\_\_ Director


 \_\_\_\_\_ Director

(The accompanying notes are an integral part of the financial statements.)

## COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT  
 AS AT JUNE 17, 1965,  
 THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED  
 WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1968  
 (stated in United States dollars)

Deficit at June 17, 1965 as adjusted to December 31, 1967	\$5,934,045
Deduct- Adjustment during the year ended December 31, 1968 relating to the notes receivable at June 17, 1965: Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1967	<u>59,810</u>
Deficit at June 17, 1965 as adjusted to December 31, 1968	<u>\$5,874,235</u>

STATEMENT OF DEFICIT  
 FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1968  
 WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE  
 RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED  
 (stated in United States dollars)

Deficit from June 18, 1965 to December 31, 1967	\$1,229,963
Add- Loss for the year ended December 31, 1968 (Exhibit 3)	<u>572,112</u>
Deficit as at December 31, 1968	<u>\$1,802,075</u>

(The accompanying notes are an integral part of the financial statements.)



## COMMODORE FACTORS LIMITED

STATEMENT OF LOSS  
 FOR THE YEAR ENDED DECEMBER 31, 1968  
 (stated in United States dollars)

Expenses:	
Capital and place of business taxes	\$ 157
Legal	25,750
Loss in foreign exchange	55,310
Miscellaneous	<u>3</u>
Total expenses before interest charges	81,220
Interest on advances from Atlantic Acceptance Corporation Limited	<u>490,892</u>
Loss for the year	<u><u>\$572,112</u></u>

(The accompanying notes are an integral part of the financial statements.)

COMMODORE    FACTORS    LIMITED

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1968

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Commodore Factors Limited whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 111

May 23, 1969.

AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager  
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Concourse Agencies Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1968, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1968 and a Statement of Loss for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse & Co.*

Chartered Accountants.

CONCOURSE AGENCIES LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1968

ASSETS

\$ Nil

LIABILITIES

Advance from Atlantic Acceptance  
Corporation Limited

\$1,070

Capital stock and deficit:

Capital stock-

Authorized- 100,000 shares without par value

Issued and fully paid- 3 shares

\$ 3

Deficit-

As at June 17, 1965 (no change  
to December 31, 1968)

\$774

For the period from June 18, 1965  
to December 31, 1968-

Deficit from June 18, 1965

to December 31, 1967

\$213

Loss for the year ended

December 31, 1968, represented

by interest on advances from the

parent company (\$66) and miscellaneous  
expense (\$20)

86

Deficit as at December 31, 1968

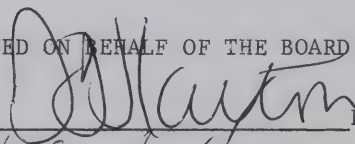
299


1,073

(1,070)

\$ Nil

APPROVED ON BEHALF OF THE BOARD:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



PRICE WATERHOUSE & Co.  
CHARTERED ACCOUNTANTS

P.O. BOX 51  
TORONTO-DOMINION CENTRE  
TORONTO 111

May 23, 1969.

AUDITORS' REPORT

Montreal Trust Company,  
Receiver and Manager  
of Atlantic Acceptance Corporation Limited:

We have examined the balance sheet of Pay As You Study Plan Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1968, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1968 and a Statement of Loss for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet presents fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse & Co.*

Chartered Accountants.

PAY AS YOU STUDY PLAN LIMITED  
(a wholly-owned subsidiary of  
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1968

ASSETS

\$ Nil

LIABILITIES

Advances from Atlantic Acceptance  
Corporation Limited

\$36,024

Capital stock and deficit:

Capital stock-

Authorized-

1,800 6% non-cumulative redeemable preference  
shares with a par value of \$100 each

20,000 common shares without par value

Issued and fully paid-

3 common shares

\$ 3

Deficit-

As at June 17, 1965 as adjusted  
to December 31, 1968 (no change  
during 1968)

\$28,437

For the period from June 18, 1965  
to December 31, 1968-

Deficit from June 18, 1965

to December 31, 1967

\$5,318

Loss for the year ended

December 31, 1968, represented  
by interest on advances from the  
parent company (\$2,252) and  
miscellaneous expense (\$20)

2,272

Deficit as at December 31, 1968

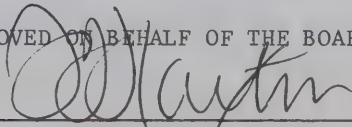
7,590

36,027

(36,024)

\$ Nil

APPROVED ON BEHALF OF THE BOARD:



Director



Director

# PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P. W. ANDREAE  
E. R. FINGLAND  
L. CROPPER  
A. H. BRIGGS  
T. GORMAN

P. O. BOX 15  
MERCANTILE BANK BUILDING  
FREEPORT, BAHAMAS

CABLES: PRICEWATER FREEPORTBAHAMAS  
TELEPHONE: 7801 (3 Lines)

## The Shareholders

Lucayan Beach Hotel and Development Limited

We have examined the accompanying consolidated balance sheet of Lucayan Beach Hotel and Development Limited as at 30th September, 1968 and the related consolidated profit and loss account for the year ended 30th September, 1968.

## ACCOUNTING RECORDS AND SCOPE OF EXAMINATION

We have maintained the accounting records of the Company and its subsidiaries for the year under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances.

## BALANCE SHEET

The group has never maintained detailed plant and equipment registers of the various fixed assets. As a consequence, it has not been possible to satisfy ourselves as to the existence of certain of the fixtures and equipment. It may be that assets have been retired or lost and the corresponding asset values remain in the accounts.

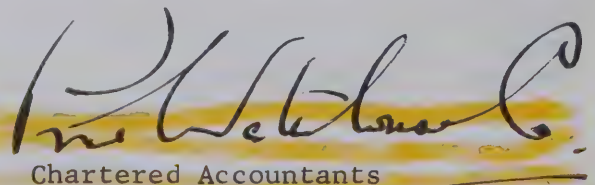
Certain freehold land is included at Directors' valuation in the amount of \$2,500,000. The valuation was ratified by the shareholders at a meeting held on 14th June, 1965. This amount was credited to Capital Reserve and utilised to write off the hotel operating losses arising before 28th February, 1965, and to partly re-capitalise the Company, in January, 1965. As the land has not been professionally and independently appraised, we are unable to satisfy ourselves as to the value placed thereon and resulting from this the substantiation for those accounting entries, made prior to 31st December, 1965 affecting the Capital Reserve, Share Capital and Profit and Loss Account.

The Bell Channel Villas and Lucayan Marina and Apartments were purchased during 1965 at an aggregate cost of \$6,009,874, from Daylite of Grand Bahama Company Limited, a company now in receivership. Daylite had borrowed large sums of money which came indirectly from Atlantic Acceptance Corporation Limited which is also in receivership. The Company issued 1,250,000 of its ordinary shares on 18th January, 1965 for an aggregate cash consideration of \$3,500,000 and immediately paid this money to Daylite in partial settlement of the purchase price of one of the properties mentioned. Information disclosed to a Royal Commission in the Province of Ontario, Canada, indicates that the Company and Daylite may not have been dealing at arms length, and there is, therefore, a possibility that the purchase price of the Bell Channel Villas and the Lucayan Marina and Apartments may be greater or less than the price that would have been paid under competitive conditions.

We have been unable to obtain sufficient information to satisfy ourselves as to the transactions leading to the recording in the books of the Company during 1965 of credits received from Daylite of Grand Bahama Company Limited in the amount of \$200,000 as settlement for the Company agreeing not to participate in a construction venture and \$250,000 towards settling the Company's liability under a contract for the purchase of a building. The former amount was credited to the Capital Reserve Account and the latter amount was credited to the cost of fixed assets.

### CONCLUSION

In our opinion, except that we have not been able to satisfy ourselves as to the existence, cost or carrying value of certain fixed assets, and resulting from the latter the possible effect that such valuation may have on the validity of accounting entries affecting the Capital Reserve, Share Capital and Profit and Loss Account, the accompanying consolidated balance sheet and consolidated profit and loss account present fairly the financial position of Lucayan Beach Hotel and Development Limited at 30th September, 1968, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles.



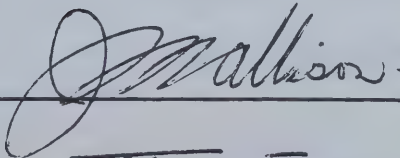

Chartered Accountants

31<sup>st</sup> January, 1969  
Freeport, Bahamas.



LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 30TH SEPTEMBER, 1968  
(Stated in United States Dollars)

<u>ASSETS</u>		
<u>1967</u>		
CURRENT ASSETS		
\$ 151,803	Balance with bankers	\$ 10,496
	Accounts receivable and pre-	
	payment	<u>7,825</u>
<u>29,156</u>		
<u>180,959</u>		\$ 18,321
INVESTMENT IN AND ADVANCES TO		
UNCONSOLIDATED SUBSIDIARY		
COMPANY (Note 3)		
		29,814
FIXED ASSETS (Note 4)		
	Freehold land, hotels, apart-	
	ments, marina, fixtures,	
17,580,039	fittings and equipment	17,690,626
<u>2,149,220</u>	Less: Accumulated depreciation	<u>2,825,564</u>
<u>15,430,819</u>		14,865,062
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;">    </div> <div style="text-align: right;">         ) ) DIRECTORS ) )       </div> </div>		
<u>\$15,611,778</u>		<u>\$14,913,197</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 30TH SEPTEMBER, 1968  
(Stated in United States Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>1967</u>	
CURRENT LIABILITIES	
\$ <u>457,792</u>	Accounts payable and accrued charges \$ <u>424,183</u>
<u>9,547,723</u>	LOANS including accrued interest (Note 5) <u>9,548,032</u>
SHAREHOLDERS' EQUITY	
7,000,000	Share Capital authorised and issued 10,000,000 shares of B 72¢ each
<u>1,347,553</u>	fully paid (Note 2) \$ 7,056,000
8,347,553	Capital reserve <u>1,291,553</u>
(2,741,290)	Profit and Loss account 8,347,553
<u>5,606,263</u>	(deficit) <u>(3,406,571)</u>
\$15,611,778	<u>4,940,982</u>
<u><u>          </u></u>	<u><u>\$14,913,197</u></u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH SEPTEMBER, 1968  
(Stated in United States Dollars)

<u>1967</u>		
\$ 671,856	Depreciation	\$ 676,343
504,914	Loan and other interest	545,940
<u>140,300</u>	General expenses, repairs and maintenance	<u>39,696</u>
1,317,070		1,261,979
<u>500,000</u>	Less: Rental income from leased facilities (Note 1)	<u>596,698</u>
<u>817,070</u>	LOSS FOR THE YEAR	665,281
2,017,921	DEFICIT AT BEGINNING OF YEAR	2,741,290
<u>93,701</u>	Less: Prior year adjustment	-
<u>1,924,220</u>		<u>                    </u>
<u>\$2,741,290</u>	DEFICIT AT END OF YEAR	<u>\$3,406,571</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30TH SEPTEMBER, 1968

NOTE 1 - GENERAL

All properties of the group are leased out on full repairing leases expiring variously from 1970 to 1974.

The rent receivable from the hotel operating company, Lucayan Beach Management Limited, is equal to two thirds of the operating profit. An amount of \$96,698 representing two thirds of the operating profit for the year ended 30th September, 1968 has been taken into these financial statements.

Rent receivable from other full repairing leases amounts to \$500,000 per year.

NOTE 2 - SHARE CAPITAL

During the year by Extrordinary General Meeting the company increased its authorised Share Capital to B\$7,200,000 divided into 10,000,000 shares of B 72¢ each. The sum required to increase issued share capital to B 72¢ per share fully paid was appropriated from Capial Reserve.

NOTE 3 - INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANY \$29,814

At 1st September, 1968 the company acquired the entire share capital of Lucayan Beach Management Limited, the hotel operating company at a figure equal to that company's total shareholders' equity. The operations of this subsidiary have not been consolidated in these financial statements, however, credit has been taken for rental due under the lease agreement (See Note 1 above) including two thirds of the loss of the subsidiary totalling \$29,088 for September 1968.

The investment and advances comprise the following:-

Share capital at cost	\$ 4,619
Repayment of advances made by previous owners	545,985
Current account	1,745
	<u>552,349</u>
Less amount of loan from subsidiary	<u>522,535</u>
	\$ 29,814



NOTE 4 - FIXED ASSETS

- (i) Details of fixed assets and depreciation thereon are as follows:-

	<u>Cost or Valuation</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Freehold land, hotel buildings and apartments	\$12,735,569	\$1,651,126	\$11,084,443
Marina, wharves and equipment	2,585,000	52,125	2,532,875
Furniture, fittings and equipment	<u>2,370,057</u>	<u>1,122,313</u>	<u>1,247,744</u>
	<u>\$17,690,626</u>	<u>\$2,825,564</u>	<u>\$14,865,062</u>

- (ii) Fixed assets are included at cost except for certain freehold land which is shown at a valuation of \$2,500,000 placed on it by the Directors and subsequently ratified by the shareholders of the Company.

- (iii) Annual rates of depreciation are as follows:-

Hotel and apartment buildings	3% to 7½%
Wharves	2%
Furniture, fittings and equipment	10% to 25%

NOTE 5 - LOANS

The Company has received the following loans from the Receiver and Manager of Atlantic Acceptance Corporation Limited :-

- (1) Secured by Debentures with a specific charge on the freehold and leasehold property of the Company and floating charges on all other assets of the Company

The loans are repayable on demand and carry interest at 6% per year

\$7,217,900

- (2) Unsecured loans including accrued interest and carrying interest at 6% per year, repayable on demand.

2,330,090

\$9,547,990

NOTE 6 - RATES OF EXCHANGE

All amounts are stated in United States Dollars and where necessary, Bahamian Currency has been expressed at the rate of:-

Bahamian \$1 = U.S. \$0.98









